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FISCAL IMPACT REPORT

ORIGINAL DATE 2/08/08

SPONSOR SIAC LAST UPDATED _____ HB _____

SHORT TITLE Public Peace, Health, Safety & Welfare SB 573/SIACS

ANALYST Schardin

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)
New Mexico Association of Counties (NMAC)

SUMMARY

Synopsis of SIAC Substitute

The Senate Indian and Cultural Affairs Committee substitute for Senate Bill 573 would allow counties imposing the 1/16 percent increment of the county local option gross receipts tax to pledge revenue from that increment to payment of gross receipts tax revenue bonds. Under current law, counties are allowed to pledge revenue from the first and third 1/8 increments of the county local option gross receipts tax as well as any increment of the county infrastructure and county capital outlay gross receipts tax.

FISCAL IMPLICATIONS

The bill would not allow county governments to impose more local option taxes, but would increase the amount of revenue available to repay gross receipts tax revenue bonds. The table below indicates the additional revenue each county could potentially pledge to repay gross receipts tax revenue bonds through the 1/16 percent increment of the county local option gross receipts tax in FY09. Twenty counties have already imposed the tax, but if all counties imposed the tax it would generate about \$29.4 million in FY09. The table below also indicates the potential general fund revenue loss that would occur due to hold harmless provisions concerning the food and medical deductions enacted in 2004 if all counties were to impose the tax.

County	Potential Revenue	
	Pledged to GRT Bonds: 1/16% County GRT Increment	Potential General Fund Loss Due to Hold Harmless Distribution: 1/16% GRT Increment
Bernalillo	10,919,890	Already Imposed
Catron	21,431	(853)
Chaves	721,552	Hold Harmless Rate Frozen
Cibola	181,484	Already Imposed
Colfax	211,124	(9,594)
Curry	495,615	Already Imposed
De Baca	15,035	Already Imposed
Dona Ana	2,090,909	Already Imposed
Eddy	1,377,478	Hold Harmless Rate Frozen
Grant	327,366	(34,763)
Guadalupe	96,360	Already Imposed
Harding	7,781	Already Imposed
Hidalgo	58,846	Already Imposed
Lea	1,804,244	Hold Harmless Rate Frozen
Lincoln	314,684	(23,463)
Los Alamos	1,040,713	(31,027)
Luna	209,289	Already Imposed
McKinley	665,048	Already Imposed
Mora	15,797	Already Imposed
Otero	512,242	Hold Harmless Rate Frozen
Quay	88,283	Already Imposed
Rio Arriba	384,895	(33,758)
Roosevelt	160,525	Already Imposed
San Juan	2,552,663	Hold Harmless Rate Frozen
San Miguel	214,928	Already Imposed
Sandoval	1,137,746	Hold Harmless Rate Frozen
Santa Fe	2,482,618	Already Imposed
Sierra	93,377	Already Imposed
Socorro	124,440	(13,179)
Taos	401,079	Already Imposed
Torrance	134,366	Already Imposed
Union	76,697	Already Imposed
Valencia	489,869	Already Imposed
Total	29,428,376	(146,636)

Source: Taxation and Revenue Department, Office of Research and Statistics

SIGNIFICANT ISSUES

The county local option gross receipts tax may be imposed by any county at a rate up to 7/16 percent (0.4375 percent). The tax may be imposed in up to three 1/8 percent increments and one 1/16 percent increment. The second 1/8 percent increment of the tax must be dedicated to health care of indigent patients.

NMAC reports the committee substitute would expand fiscal flexibility at the county level by allowing some counties to continue to use the 1/16 percent increment as general revenue and others to pledge the revenue for bond repayment.

New Mexico's municipalities and counties are authorized to impose over 4 percent of local option gross receipts taxes (that figure excludes several additional local option taxes that have been authorized for selected local governments). Due to increasing imposition of local option taxes, the statewide gross receipts tax rate is increasing steadily. On average, a local option gross receipts tax of about 1.9 percent will be imposed by local governments statewide by FY09. Combined with the state gross receipts tax of 5 percent, the statewide tax rate is therefore 6.9 percent.

TECHNICAL ISSUES

TRD notes that some county ordinances might need to be amended to allow dedication of the 1/16 percent county local option gross receipts tax increment to be dedicated for gross receipts tax bond repayment.

SS/bb